



rpdata.property pulse

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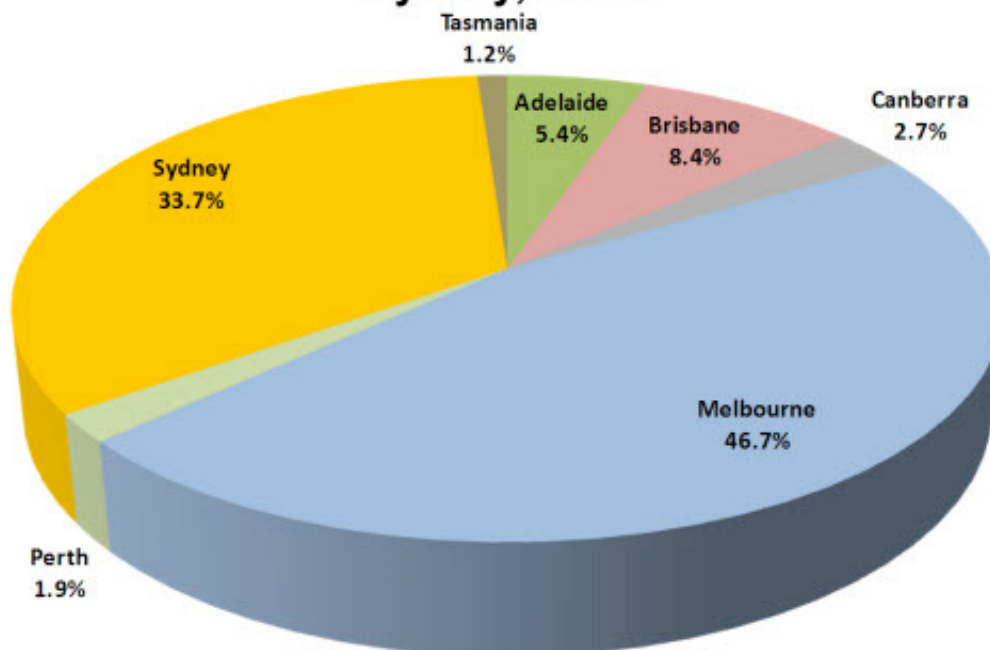
Focus on auction clearance rates

The auction market has remained strong for much of the last 12 months but with clearance rates beginning to ease, does this signal a looming residential market slowdown?

As a proportion of overall sales, auctions account for less than a quarter of all dwelling transactions nationally. However, auction clearance rates provide an excellent indication of current market sentiment and the results are much more timely than private treaty results which are subject to time lags. During 2010 RP Data has on average collected results for 80% of all capital city auctions and this collection rate eclipses the typical collection by competitors who generally report results on only 60% to 65% of auctions across the nation's capitals.

On a national basis, the largest capital city auction markets are well and truly Melbourne and Sydney however, auctions still account in both cities to a relatively small proportion of total sales. The strength in auction clearance rates throughout these markets during the last year has been reflected in the strong growth in property values within both cities during the last 12 to 15 months.

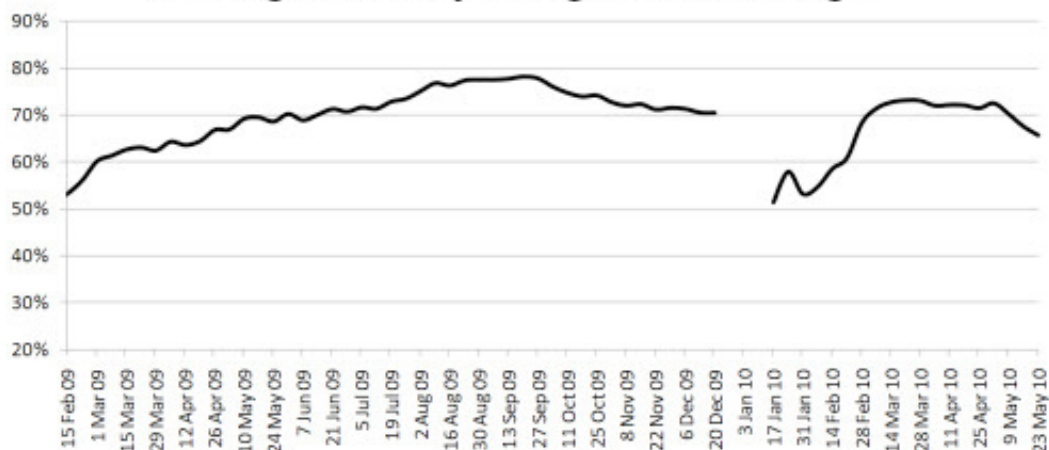
Proportion of total capital city auctions by city, 2010



Source: rpdata.com

Across the capitals, auction clearance rates have sat between 70% and 80% for all of the second half of 2009 and the vast majority of 2010. In recent weeks there has been a downturn in clearance rates with rates recorded at 62.8% last week, well below the recent benchmark between 70% and 80%.

Combined capital city clearance rates Rolling monthly weighted average



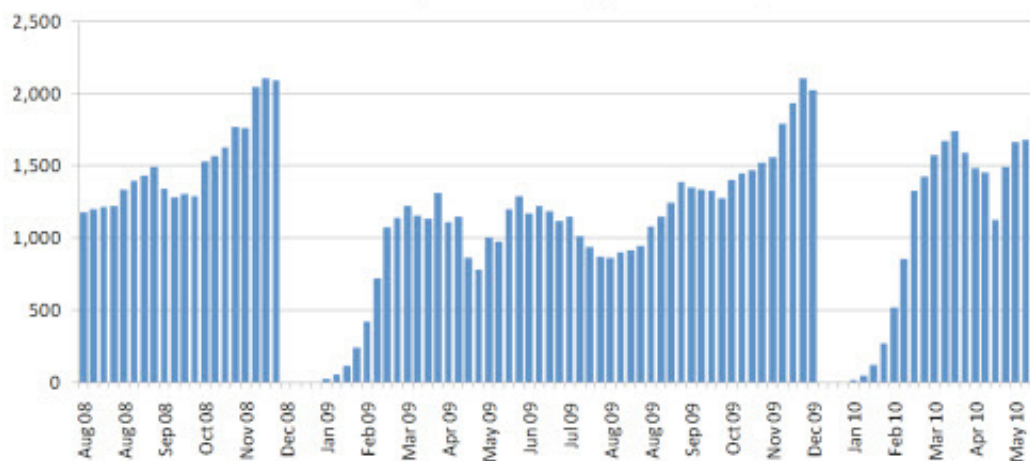
Source: rpdata.com

The fall in auction clearance rates nationwide has been led by Sydney and Melbourne as the two largest markets and consistently the two best performing auction markets. Eight weeks ago Melbourne recorded its strongest auction clearance rate of the year at 85.3%, last week the clearance rate for Melbourne auctions had fallen to 69.4% which was the second worst clearance rate this year (behind the Australia Day long weekend). Similarly in Sydney, 8 weeks ago clearance rates were quite strong sitting at 73.7% whilst last week saw a clearance rate of just 63.0%.

Whilst Melbourne and Sydney clearance rates have eased so too have the traditionally weaker auction markets of Brisbane, Adelaide and Perth. At their peak clearance rates have reached 45.6% this year in Brisbane, 77.8% in Adelaide and upwards of 65% in Perth. Last week these cities recorded clearance rates of 32.5%, 51.4% and 14.3% within Brisbane, Adelaide and Perth respectively.

Whilst auction clearance rates have been healthy in recent times and have started to ease of late, the total number of auctions taking place has remained very strong. Obviously there is no shortage of willing sellers in the market. Last week there were more than 1,800 capital city auctions nationwide which was the fourth greatest number of weekly auctions held this year. Interestingly, the number of properties being taken to auction during much of 2010 has been far greater than the volume of auctions which were undertaken during the typically strong spring selling of last year.

Capital city auction volumes Rolling monthly average



Source: rpdata.com

Our data shows that for the week ending 30 May 2010 there are currently 2,257 capital city auctions planned during the week. This level of activity indicates that auction activity remains at very high levels.

Over the last 10 months auction clearance rates have generally enjoyed consistently strong results however, many indicators other than just auction clearance rates now suggest that the strong growth in property values recorded over recent times may soon start to moderate. Interest rates are now 160 basis points higher than they were last September, housing finance volumes have been falling for the last six months and consumer confidence is easing. The recently released Consumer Sentiment Index's subset, the Time to Buy a Dwelling Index, fell by more than 15% during May 2010 to 88.4 points indicating that most people surveyed do not believe now is the time to be buying residential homes.

RP Data has been suggesting for some time that the rate of property value growth will slow during 2010. It seems as if the recent weakness across auction clearance rates along with a number of other less buoyant housing sector figures may be providing the first signs of a residential market slow down.

